

Message Text

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ACTION NEA-09

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 9140

INFO AMEMBASSY TEHRAN

AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 2121

E.O. 11652: N/A

TAGS: ECON, EFIN, PK, SA, LY, TC

SUBJ: BHUTTO COMMENTS ON STATE OF PAKISTAN'S ECONOMY

REFERENCE: ISLAMABAD 2120

SUMMARY. BEGIN UNCLASSIFIED. IN SAME PRESS CONFERENCE REPORTED ON IN REFTEL, BHUTTO FORESAW UPTURN IN ECONOMY, REAFFIRMED HIS PARTY'S ULTIMATE GOAL OF ESTABLISHING A SOCIALIST ECONOMY, AND CLAIMED THAT THE MIDDLE EAST OIL COUNTRIES HAD COMMITTED \$1.25 BILLION IN CREDITS TO PAKISTAN. END SUMMARY.

1. DURING BHUTTO PRESS CONFERENCE MARCH 10, WHICH LARGELY COVERED POLITICAL TOPICS, THE PRIME MINISTER MADE SOME INTERESTING OBSERVATIONS ON THE ECONOMIC SCENE. HE FORESAW A HOPEFUL TURN IN THE COUNTRY'S ECONOMIC SITUATION BY THE END OF THE CURRENT YEAR, CITING THE EXPECTED FUNCTIONING OF TARBELA DAM BY THAT TIME. HE SAID HE WAS AWARE OF THE ECONOMIC DIFFICULTIES FACED BY THE PEOPLE BUT CLAIMED THAT

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MOST OF THISSTEMMED FROM THE SEVERE INTERNATIONAL ECONOMIC

CRISIS AND WAS LARGELY OUTSIDE THE GOVERNMENT'S CONTROL.

2. IN RESPONSE TO A SERIES OF PROBING QUESTIONS ABOUT THE ULTIMATE DIRECTION OF HIS GOVERNMENT'S ECONOMIC POLICY, BHUTTO SAID THERE WAS NO CHANGE IN HIS PARTY'S ULTIMATE GOAL OF ESTABLISHING A SOCIALIST ECONOMY IN THE COUNTRY.

3. REPLYING TO ANOTHER QUESTION, THE PRIME MINISTER SAID THAT IRAN HAD COMMITTED TO PAKISTAN NEARLY \$ BILLION IN CREDITS, AND THAT CREDITS FROM SAUDI ARABIA, LIBYA AND ABU DHABI TOTALED \$250 MILLION. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. COMMENT. ALTHOUGH ANY SIGNIFICANT IMPROVEMENT IS DEPENDENT UPON INTERNATIONAL ECONOMIC CONDITIONS, BHUTTO'S REFERENCE TO A LIKELY UPTURN IN THE ECONOMY THIS YEAR IS PROBABLY CORRECT. BESIDES THE COMPLETION OF TARBELA DAM (EXCEPT FOR THE HYDROELECTRIC UNITS,) WHICH WILL GREATLY EXPAND THE AMOUNT OF IRRIGATION WATER AVAILABLE, THERE ARE SIGNS THAT PAKISTAN'S HIGH RATE OF INFLATION IS EASING AND THAT THE BALANCE-OF-PAYMENTS SITUATION THROUGH AT LEAST JUNE WILL NOT BE AS SEVERE AS ORIGINALLY FEARED. ON THE OTHER HAND, HIS REFERENCE TO HIS GOVERNMENT'S COMMITMENT TO BRINGING ABOUT A SOCIALIST ECONOMY WILL HARDLY ENCOURAGE ANY UPSURGE IN LARGE-SCALE PRIVATE INVESTMENT WHICH IS ALREADY IN THE DOLDRUMS.

5. AS FOR THE LARGE CREDIT FIGURES CITED, THE IRANIAN AMOUNT IS MUCH LARGER THAN HAS HERETOFORE BEEN MADE PUBLIC. HOWEVER, OUR SURVEY OF COMMITMENTS TO PAKISTAN FROM ALL OPEC COUNTRIES THROUGH FEBRUARY 1, 1975 DOES TOTAL \$1.2 BILLION. THE EMBASSY WAS ONLY AWARE OF ABOUT \$580 MILLION IN CREDITS FROM IRAN (THOUGH ADDITIONAL AID IN OTHER FORMS BRINGS TOTAL TO ABOUT \$660 MILLION). IN ADDITION, WE LIST COMMITMENTS OF VARIOUS KINDS OF \$210 MILLION FROM SAUDI ARABIA; \$96 MILLION FROM LIBYA; \$174 MILLION FROM ABU DHABI (\$100 MILLION CREDIT); AND \$74 MILLION FROM ASSORTED OTHER ARAB OIL STATES.
BYROAD

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